



FmHA AN No. 3133 (1924-B)

March 8, 1995

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: Acting State Directors
Rural Economic and Community Development Service

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to provide guidance on the development of realistic long range planning with reference to changes that should be recognized for each projected year. The projected years will be utilized to evaluate repayment feasibility with regard to loan deferrals. Long range farm plans will also be needed when implementing conservation practices to bring the farm in compliance with the provisions found in Exhibit M of FmHA Instruction 1940-G.

In addition, these projections will be used for the development of 5-year business plans and Special Beginning Farmer Operating Loan Assistance. Five-year business plans will be an essential tool when establishing strategic plans and goals of the farm business.

COMPARISON WITH PREVIOUS AN

This AN replaces AN No. 2917 (1924-B), dated November 17, 1993. The issuance of this AN will provide new guidance for the development of farm budgets for the 1996 - 2001 crop years.

IMPLEMENTATION RESPONSIBILITIES

A "normal" year plan can be defined as a projected farm business plan that best represents the typical income, expenses, and debt payment of that operation. Five-year yield averages will be used only as a baseline. Supervisors should work closely with our farm customers to develop a plan that would reflect those yields that could be realized if sufficient inputs and management practices were provided.

EXPIRATION DATE:
March 15, 1996

FILING INSTRUCTIONS:
Preceding FmHA Instruction 1924-B



FmHA Instruction 1924-B, Section 1924.57(d) (2), states that each State Director will establish the average unit price for each agricultural commodity produced on a Statewide basis. Commodity prices should not include ASCS deficiency payments. These payments must be kept separate. State Directors also may elect to establish regional unit prices for different regions of the State when there are factors (transportation costs) to establish a regional pattern. Exhibit A of this AN provides a National average for major agricultural commodities with which States may use as a guideline to compare their developed commodity prices. These National averages are in no way issued to replace State developed prices for the 1995 operating year. When developing unit prices, State Directors should consult with State and Federal agriculture agencies as well as neighboring State Offices. If local data is not available, the prices that most nearly reflect local area prices must be used. Farmers with proven documentation to compute a weighted average price received for products sold in 1994 and/or contracts with verified markets, may use this unit price when developing their farm business plan. Otherwise, the average price as determined by the State Director will be used.

When working with a farm customer for loan deferrals, the "normal" year plan will be used as a baseline plan. Prices and expenses should remain constant throughout the projected years when evaluating for repayment feasibility during the deferral period. Therefore, no factors will be used for long range plans. The automated Long Range Planning system, a menu item of the ORACLE Farm and Home Plan, is an essential tool when generating the projected business plans. These projected farm plans will be developed jointly with the farmer to ensure changes in production, capital purchases and debt reductions are entered for each projected year as per the goals for that operation. The system will automatically reduce term debts based on loan criteria entered in the base year plan.

With expenses and prices remaining constant, there will be no need to establish percent changes for projected years. Within the automated Long Range Planning system, "PROJECTED CASH COMMODITY CHANGES" and "PROJECTED EXPENSE CHANGES" tables will need to be populated with zeroes. This will result in no changes to the established values used in the "normal" plan when the system runs through its calculations. It will be the responsibility of the FHP Coordinator, working jointly with the Information Resource Managers, to ensure these tables are populated with zeroes and those tables are imported to the field office systems.

State Office staffs with questions on this AN may contact Steven Rubin, Senior Loan Officer, Program Development Staff at 202-690-4003. Field offices should be contacting their respective State Office Farmer Programs Staff regarding the above subject matter.

ANY REVISIONS OR MODIFICATIONS TO THIS ADMINISTRATIVE NOTICE THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE APPROVED BY THE DEPUTY ADMINISTRATOR FOR FARM CREDIT PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH THE STATE LAW.



LOU ANNE KLING
Acting Deputy Administrator
Farm Credit Programs
Consolidated Farm Service Agency

Attachment

Sent by telefax on 3/10 at 9:00 by GSS. The State Director should advise other personnel as appropriate.

PROJECTED LONG RANGE FARM PRICES

Exhibit A

CFSA, FCP, Program Development Staff
1-Mar-95

ITEM	UNITS	1995	1996	1997	1998	1999	2000	2001
Wheat	\$/bu	3.38	3.24	3.20	3.23	3.28	3.36	3.46
Corn	\$/bu	2.25	2.35	2.37	2.42	2.45	2.47	2.52
Sorghum	\$/bu	2.10	2.20	2.22	2.27	2.30	2.32	2.37
Barley	\$/bu	2.14	2.20	2.2	2.23	2.25	2.28	2.30
Oats	\$/bu	1.26	1.33	1.35	1.38	1.40	1.49	1.45
Soybeans	\$/bu	5.42	5.60	5.80	6.08	6.28	6.38	6.48
Cotton	\$/lb	0.695	0.634	0.606	0.616	0.626	0.636	0.646
Rice	\$/cwt	6.15	6.33	5.66	7.00	7.35	7.72	8.05
SB Oil	\$/lb	0.27	0.27	0.267	0.26	0.25	0.25	0.249
SB Meal	\$/ton	156.00	161.00	166.00	181.00	193.00	199.00	203.00
Peanuts	\$/lb	0.301	0.305	0.308	0.313	0.317	0.321	0.325
Dry Beans	\$/cwt	22.00	22.16	22.32	22.48	22.64	22.8	22.96
Potatoes	\$/cwt	5.77	5.85	5.93	6.01	6.09	6.17	6.25
All Fruit 1977=100		157.00	161.00	164.00	168.00	171.00	175.00	178.00
Vegetables 1977=100		162.00	165.00	167.00	170.00	172.00	175.00	177.00
SUGAR:								
Sugarbeet	\$/ton	42.00	42.00	42.00	42.00	42.00	42.00	42.00
Sugarcane	\$/ton	30.50	30.50	30.50	30.50	30.50	30.50	30.50
TOBACCO:								
Flue-Cure	\$/cwt	173.00	176.00	179.00	182.00	185.00	188.00	191.00
Burley	\$/cwt	186.00	190.00	194.00	198.00	202.00	205.00	208.00
Cattle	\$/cwt	64.60	65.50	65.60	67.60	70.70	73.50	77.10
Calves	\$/cwt	81.00	78.10	77.80	82.10	85.60	89.80	95.00
Hogs	\$/cwt	37.00	36.00	37.00	38.80	41.00	42.90	45.00
Broilers	\$/cwt	33.20	30.00	30.00	30.60	32.00	33.20	34.70
Turkeys	\$/cwt	37.90	35.50	35.20	35.30	36.00	36.60	37.40
Eggs	cnt/doz	59.50	59.50	61.00	63.10	65.40	67.80	70.40
Milk	\$/cwt	12.30	12.20	12.30	12.50	12.80	13.00	13.20